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WELFARE IN AMERICA: WHAT IS BEING REFORMED?

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In 1935, welfare was created as the Aid to Dependent Children (ADC) program under the Social Security Act\(^1\) as part of the New Deal by Franklin Delano Roosevelt. Originally a cash grant program for widowed mothers as a sustained income,\(^2\) the program was expanded for low income children whose parents are deceased, unemployed, absent from the home, or incapacitated.\(^3\)

On August 22, 1996, President Clinton ended welfare as we know it. A stroke of the pen abolished the entitlement to services, but not the need for services by the poor. A stroke of the pen toughened work requirements, but not the guarantee of preparation for employment.

The enactment of the Personal Responsibility and Work Opportunity Reconciliation Act\(^4\) by the United States Congress is but the first step in restructuring the welfare system. Long-term success will be measured by how many families states get off the safety net and back on the trapeze.

Governments, communities, and families cannot be all things to all people, but they cannot sit idly by either. When families fail, everyone pays the cost. Strengthening families in communities—one family at a time—is what reform of the welfare system is all about. A sense of urgency in assisting families to become economically self-sufficient is replacing complacency. The dignity of hard work, the importance of assuming personal responsibility, the value of the family, and accountability to tax-

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payers are the fundamental principles of welfare reform. For families to become as economically self-sufficient as possible, there is now a mutual obligation between the government and the recipients of public assistance.

I. ENDING WELFARE AS WE KNOW IT

During the National Governors' Association meeting on February 5, 1996, President Clinton said the objective of welfare reform is to break the cycle of dependency in a way that promotes work, personal responsibility, and parenthood.

Simple words, but there are no simple solutions to the complex issues facing poor families. Many presidents have tried. President Franklin D. Roosevelt’s public jobs program, Works Progress Administration (WPA), targeted the unemployed to build roads, schools, and bridges. President Lyndon Johnson declared the War on Poverty in 1964 and was successful in reducing the poverty rate from 19% to 12% by 1969. The Work Incentive Program (WIN) created by Congress in 1967 was to encourage education and training for parents to prepare them for employment for economic self-sufficiency. Women were required to participate only when their youngest child was six years old. And under President Gerald R. Ford, the Social Security Act was amended in 1975 to require each state to develop a child support enforcement program partially funded by the federal government.

The Family Support Act of 1988, signed into law by President Reagan on October 13, 1988, shifted the focus of public assistance from income maintenance to preparation for employment through reciprocal responsibility. States had certain responsibilities as a condition of receiving federal dollars, and recipients had to comply with specific rules to receive the cash grant. A balance was required of mandatory participation in either work or training with government providing the services needed to become self-sufficient such as education, child care, and transportation. Promoting desired behaviors by both families and states, the Family Support Act outlined standards for paternity establishment and improved collection of child sup-

This well-intentioned federal law, however, fell victim to the national recession exploding welfare caseloads and eliminating states' abilities to provide required services. President Bush pledged to reform the welfare system, too. He released his "Strategy for Further Welfare Reform" in July, 1992, seeking "to promote family responsibility by promoting work effort; educating individuals to understand the responsibilities of the childbearing decision; to encourage the rearing of children in families where both parents are present to make their full contributions. . . ." Pledging during his presidential campaign to "end welfare as we know it," candidate Bill Clinton drew the line in the sand. Likewise, two years later, the new congressional leaders promised to bring the "Contract with America" including welfare reform provisions to the U.S. Congress within 100 days. The Personal Responsibility Act, introduced in 1995, was the first congressional proposal to remove the entitlement status from Aid to Families with Dependent Children and included provisions to require work, to time-limit benefits, and to deny benefits for out-of-wedlock births. The deficit reduction debate on Capitol Hill, however, overshadowed ending the cash welfare program. Vetoing both the Budget Reconciliation bill which contained welfare reform provisions (H.R. 2491) on December 7, 1995, and the free-standing welfare reform bill (H.R. 4) on January 9, 1996, President Clinton asked for more funding for child care, and additional funding during times of economic downturn or population growth. A dramatic restructuring of the welfare system was the goal; setting families up for failure was not. When the Congress appeared to be at an impasse, the Governors stood together. Focused intently on both welfare reform and Medicaid reform, the nation's governors unanimously approved bipartisan agreements on welfare and Medicaid reform.
on February 6, 1996, at the National Governors' Association winter meeting in Washington, D.C.

Welfare reform was jump-started once more.

After many more months of congressional debate on newly drafted welfare reform legislation which included Medicaid reform provisions as well, compromise was reached among the Republican leadership, many congressional Democrats, and the President only when the Medicaid provisions were dropped.\(^1\) As the House and Senate negotiators prepared a final version of the welfare bill, President Clinton said to reporters, "Whatever system we adopt to reform welfare, the budgetary considerations in the non-welfare items in the bill shouldn't swamp our objective of ultimately uplifting the children of the country."\(^1\)

On August 22, 1996, President Clinton signed into law the Conference Agreement for H.R. 3734, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. This extraordinary federal legislation is projected to save $54.6 billion through fiscal year 2002.\(^1\)

This new far-reaching federal law will impact families, communities, and states. The guarantee of federal dollars to poor families with children provided since 1935 was eliminated. Rather, block grants called Temporary Assistance to Needy Families (TANF) are provided in lump-sum payments to states for time-limited cash assistance to families whose eligibility and benefit levels may now be determined by individual states.

- Parents are required to work once states determine the parent is ready to work or once the parent has received assistance for 24 months.
- States are not permitted to use the block grant for families including an adult who has received assistance for 60 months.
- Within a year of the enactment of the Act, parents will be required to participate in community service employment if they are not working.
- Food stamps are limited to 3 months of every 36 months for 18-50 year olds without children unless they are working or participating in an employment or training activity.
- With few exceptions, legal immigrants are barred from receiving food stamps until they become citizens.

\(^{14}\) Katz, supra note 12.
\(^{16}\) Katz, supra note 12.
Significant responsibilities are placed on states to meet stringent work requirements and to comply with the five-year lifetime limit on assistance, to enforce child support collections, and to establish strategies for teen pregnancy prevention programs. With few exceptions, new legal immigrants and current immigrants without qualifying work are barred from means-tested, federally-funded public benefits until they become citizens or for the first five years in the United States.

Although ending welfare as we know it has been accomplished by the Congress, the public policy debate rages on among members of Congress, governors, state legislators, local officials, and advocates.

- How are states going to meet the more stringent work participation requirements during an economic downturn?
- How do states respond to legal immigrants who, because of their age or disability, are not able to obtain citizenship?
- How are states able to balance meeting the prescriptive reporting requirements with the desire to create flexible programs at the local level?

In spite of these very important issues that grab headlines and sound bites, the extraordinary results of this new focus on work first paint a very different picture. Public assistance caseloads have dropped 18% nationwide between the record high of March, 1994 and October, 1996. Indiana, Oregon, and Wisconsin have seen a 40% reduction in their caseloads taking advantage of an improved economy with very aggressive efforts in job placement.\(^\text{17}\)

The significant decline in caseloads also allows the state to maximize the expenditure of the new federal block grant funds. With the Department of Health and Human Services (HHS) certification of Indiana’s welfare reform plan, the Partnership for Personal Responsibility, effective October 1, 1996, the state is receiving $206,799,109 in block grant funds.\(^\text{18}\) This grant, based on 1994 welfare spending when the caseload was higher, may provide Indiana with as much as $50 million more than current


\(^{18}\) Letter from Marion Steffy, Regional Administrator, U.S. Department of Health and Human Services, to Cheryl Sullivan, Secretary, Indiana Family and Social Services Administration (Nov. 1, 1996) (certifying that Indiana qualifies as an “eligible State” for purposes of receiving block grant funding effective Oct. 1, 1996) (letter on file with the author).
expenditures. These dollars may be used for activities including expanding child care, reducing teen pregnancy, enhancing welfare-to-work programs, and enhanced data collection.

II. ALLOWING STATES TO PROPOSE STRATEGIES THAT WORK FOR THEIR FAMILIES

As Congress struggled with the issue of welfare reform during the last decade, states have proposed creative solutions to better move families on public assistance toward self-sufficiency. States have long been frustrated by seeing the tragedy of welfare recipients leaving by one door only to enter again by another; by the inability to sanction abuses of the system by those who do not accept responsibility for themselves and their families; by wanting to ensure that children receive an education to prepare them to be productive adults; and by the inequity of delivering guaranteed benefits to those on public assistance but denying similar benefits for the working poor.

The Secretary of the U.S. Department of Health and Human Services has the authority under Section 1115 of the Social Security Act to waive certain federal requirements for demonstration projects or pilots or to promote the objectives of the AFDC program. Traditionally, the waivers require an evaluation and must be cost neutral to the federal government. During the Bush administration, eleven states received approval of their waiver applications, and to date during the Clinton administration, thirty-seven states have received approval to create a welfare program unique to the needs of the families in each state.

Indiana is one such state. The dramatic results are encouraging. U.S. Department of Health and Human Services data showed Indiana as one of only three states with a 40% reduction in families on public assistance from March, 1994 through October, 1996. Welfare reform is working in Indiana.

Not waiting for the U.S. Congress to act, numerous comprehensive statewide welfare reform waivers were submitted by former Governor Evan Bayh to the federal government on June 17, 1994, and approved by the U.S. Department of Health and Human Services on December 15, 1994. Former Governor

22. Letter from Mary Jo Bane, Assistant Secretary for Children and Families, U.S. Department of Health and Human Services, to Cheryl Sullivan,
Bayh said he was asking the federal government to "formally approve a welfare reform program for Indiana that will make work, family unity, and personal responsibility the top priorities." Indeed, public assistance should be a temporary situation with government's role to help a family acquire the basic skills and services necessary to achieve self-sufficiency.

It is important to understand that at the time these waivers were submitted, significant efforts to build the infrastructure for successful welfare reform efforts were well underway. Subsidized child care through Governor Bayh's "Step Ahead" initiative had been expanded to all of Indiana's 92 counties; child care centers or child care homes existed in all of the counties; and the capacity for child care had been expanded for an additional 31,000 children. Economic development had long been a priority of the Bayh-O'Bannon administration as demonstrated by an additional 371,000 new jobs in the state of Indiana since 1989. The road to self-sufficiency for Indiana families has been paved with prosperous economic expansion in Indiana with a statewide unemployment rate down to 3.6% for November, 1996.

The federally approved waiver was based on two-year time-limited benefits for approximately 12,000 families—the maximum permitted by HHS. These individuals are assessed as job ready and randomly selected. To minimize the expense of child care costs, only those parents whose children are over the age of three years are selected. The first individuals will reach their two-year limit in the summer of 1997. A cornerstone of Indiana's waiver is the requirement for all adults to sign the Personal Responsibility Agreement which allows caseworkers in each county to discuss individually both the requirements for assistance as well as obligations of state government. Aggressive sanctions are being imposed for failure to abide by the Personal Responsibility Agreement. Also, no additional benefits are provided to families for children born after ten months on public assistance. Teen parents are required to live at home or with a responsible adult. Children of recipients must be immunized and attend school regularly.

Secretary, Indiana Family and Social Services Administration (Dec. 15, 1995) (approving application for waivers under § 1115 of the Social Security Act) (letter on file with the author).


24. Indiana's unemployment rate for November 1996 was 3.6%, as compared to the U.S. unemployment rate of 5.3%. Figures provided by the Indiana Department of Workforce Development.
Substantial bipartisan legislative support for the reform of Indiana’s welfare system following the submission of the waivers led to the Indiana General Assembly enacting Senate Bill 478 in 1995.25 Additional waivers required by this new statute were submitted and approved as Amended Terms and Conditions by the U.S. Department of Health and Human Services on August 16, 1996,26 just one week prior to the President signing the new congressional bill. These Amended Terms and Conditions require—in addition to those activities previously outlined—that all individuals have to register at the Workforce Development Offices; children must be raised in a safe and drug-free home; and teens must live at home or with a legal guardian. The number of recipients whose benefits will be limited to 24 months is expanded significantly from 12,000 under the first waiver to all able-bodied recipients.

In the last several years, Indiana has been able to double each year the number of adults placed into jobs. In state fiscal year 1994, approximately 4,600 individuals were placed into jobs; in 1995, 9,400; and in 1996, 19,906.27

Indiana now has the lowest caseload on public assistance since 1972; the caseloads have been reduced from 69,247 in July 1994 to 48,355 in September 1996.28 To keep this extraordinary decline in perspective, 32 of Indiana counties—one-third—have less than 100 families on public assistance; 9 counties have less than 50 families; 2 counties have less than 20 families on public assistance.29

Nationally, in 1996 there were 4.7% of the population receiving AFDC assistance; in Indiana, only 2.4% of the population was on the program.30

Last year 57 private and public providers operated under “pay-for-performance” contracts, offering job search and placement for those who are job ready. The contractor’s reimburse-

28. Id.
ment is linked to the recipient’s achievement in either job placement or retention. The minimum placement standard in Indiana is for a 40-hour per week job paying $6.06 per hour or the equivalent with health benefits available within 90 days.\(^{31}\)

There are sanctions for adults not taking responsibility for themselves and their family. Fiscal sanctions of $90 per month are enforced for adults who fail to abide by a specific activity of the Personal Responsibility Agreement. In fiscal year 1996, the number of fiscal sanctions imposed for the failure to sign the Agreement was 3,867; for not having children immunized, 4,841; for not having children attend school regularly, 1,589; and for quitting a job without good cause, 436.\(^{32}\) These sanctions continue until the activity is corrected. While there were significant numbers of sanctions imposed during the first eight months of fiscal year 1996, that trend now is being reversed. The message that public assistance is both temporary and focused on self-sufficiency through personal responsibility and accountability is being heard.

### III. Challenging State Actions

As states have been given greater flexibility to restructure their own unique plans, legal challenges to those plans have followed. While too numerous and varied to discuss at length, let me give you a flavor of some of them. Many of these cases involve the classic U.S. Supreme Court decision, *Shapiro v. Thompson*,\(^ {33}\) which held that it was constitutionally impermissible for higher cash benefit states to deny welfare assistance to persons who had not resided in the state for at least one year.\(^ {34}\)

*Beno v. Shalala* was a challenge to the procedure used by the federal government to approve a 1992 California waiver. The waiver approved by the Bush administration reduced all families’ AFDC benefits by 1.7% in 1992, 2.7% in 1993, and scheduled an additional 2.3% benefit cut in September 1994. The federal courts invalidated the waiver on grounds that HHS had failed to comply with the statutory requirement to evaluate a proposed waiver’s “scope and . . . potential impact on AFDC recipients.”\(^ {35}\)

32. *Id.*
A 1992 New Jersey lawsuit sought to invalidate a waiver allowing a "family cap," that is, the elimination of the standard increase provided by AFDC for any new child born to an individual receiving benefits. The plaintiffs asserted that the waiver violated the Equal Protection and Due Process Clauses of the United States Constitution. For good measure, they also contended that the family cap contravened the HHS regulations protecting human subjects in experiments that involve pregnant women and fetuses. The federal district court upheld the waiver, finding that the Secretary's "grant of waivers to the state reflects her rational determination that the New Jersey plan was likely to promote the objectives of the AFDC program. Furthermore, the Family Cap provision of the Family Development Program does not violate any statutory or constitutional mandate." The court further noted:

New Jersey's reform proposal does not attempt to . . . constrain the welfare mother's right to bear as many children as she chooses, but simply requires her to find a way to pay for her progeny's care. This is not discrimination; rather, this is the reality known to so many working families who provide for their children without any expectation of outside assistance . . . the exercise of fundamental rights by welfare recipients oftentimes brings with it the onset of fundamental responsibilities which the recipients themselves must bear.37

Closer to home, a lawsuit was filed against me in 1995 seeking to enjoin implementation of the Indiana waivers. The plaintiffs argued that the waivers violated federal law and the Equal Protection Clause. As a demonstration project, states with welfare reform waivers are required to select randomly recipients to be in either an experimental group or a control group. The plaintiffs contended that by denying benefits to some families and not others, Indiana would be treating similar people differently and therefore violating the equal protection rights of recipients.38 Finding that the "plaintiffs do not allege that the new AFDC rules are either affecting their benefit levels or causing them to change their conduct in any way, or that the rules will have either type of effect in the near future," the federal district

38. Id.
court dismissed the lawsuit on grounds that the plaintiffs lacked standing.\textsuperscript{39}

Up to now, waivers granted by the Clinton administration have been able to survive most legal attacks. But challenges to the new legislation have only just begun.

IV. GETTING FAMILIES OFF THE SAFETY NET AND ONTO THE TRAPEZE

Policy discussions should be based not upon how different welfare recipients are from the rest of us, Mark Rank from the University of Washington cautions, "but rather upon how much we have in common."\textsuperscript{40} Indeed, much of the debate among states and within the Congress has focused on the unfairness of the past welfare system when recipients are compared with working families. Michael Tanner and Stephen Moore of the Cato Institute wrote about this unfairness in the \textit{Wall Street Journal} saying that, "Today, millions of working, moderate-income American families are paying taxes to support a public assistance system that provides a higher living standard than they themselves achieve through work and sacrifice."\textsuperscript{41}

In a well-publicized 1992 \textit{New York Times} poll, two-thirds of the public said the level of spending "for assistance to the poor" was "too little." With the word "welfare" substituted for the words "assistance to the poor," the poll found only 23\% responded that the United States was spending "too little."\textsuperscript{42} This conflict between the public's genuine support for helping the poor and the disenchantment with handouts for the welfare dependent set the stage over the last few years for ending the entitlement to cash grants.

Now eliminating the guarantee to a welfare check should not, however, be confused with abandoning public assistance recipients. The transitional benefits including subsidized child care, Medicaid, and assistance with transportation are helping to make employment more attractive. Working in partnership with state commerce departments to assist in the recruitment of employers and the state workforce development departments to ensure on-the-job training, social services agencies can expand

\textsuperscript{40} No. IP95-180-C H/G (Sept. 2, 1995) (decision of Hamilton, J.).
\textsuperscript{41} Mark Rank, \textit{Viewpoint: Separating Myths from Realities of Welfare}, Washington University (Summer 1992).
opportunities for initial and sustained employment of public assistance recipients.

The importance to children of parents being employed and families becoming self-sufficient should not be overlooked. "The best thing I can think of for a child is to grow up in a family where the parents are working," former Governor Evan Bayh told reporters when he submitted his waiver for federal approval in 1994.43

Families being involved in constructive activities, contributing to the betterment of Hoosier communities, being safe in their homes, and being healthy are indicators by which the success of welfare reform programs should be measured.

In Indiana, parents on public assistance are immunizing their children; the immunization rate of all children two years of age has increased from 62% in 1991 to 73% in 1995. Hospitals are providing an opportunity for unwed new fathers to establish paternity. The value of regular attendance in school is being stressed; overall high school graduation rates have increased from 79% in 1989 to almost 85% in 1995.44 Through the Medicaid managed care program, Hoosier Healthwise, all public assistance recipients are being linked to a primary care physician.

While moving people into jobs will decrease the number of people on public assistance, so will aggressively pursuing child support collections. The Urban Institute in 1994 reported that if child support orders were established and enforced for all children with a living non-custodial father, the aggregate child support would total $48.2 billion compared to only $14.4 billion actually received in 1990.45 President Clinton on signing the new welfare reform bill said, "there is no area where we need more personal responsibility than child support. If every parent paid the child support that he or she owes legally today, we could move 800,000 women and children off welfare immediately."46 Child support in the state of Indiana has more than doubled from $91 million to over $209 million since 1989. Parents who owe child support stand to lose their driver's licenses or professional licenses for nonpayment of child support. "Bringing a child into the world for which a parent takes no responsibility is

46. Paul Legler, supra note 7.
just plain wrong," former Governor Evan Bayh said during a welfare symposium in 1993.

As a demonstration project, it is important to evaluate the Partnership for Personal Responsibility for positive family outcomes and progress toward economic self-sufficiency. Indiana's study by an independent evaluator is documenting both clients' experiences and the culture changes of welfare offices. Also, working in partnership with several other states under the leadership of the Department of Health and Human Services, Indiana is undertaking a comprehensive study of critical indicators of child well-being. These core measures of child well-being will be incorporated within the welfare reform demonstration evaluation.

V. WORKING WITH COMMUNITIES TO MAKE A DIFFERENCE

Children and families are our best economic resources. Investing in our families and children will pay off in generations of well-educated, healthy, employed, and safe Hoosiers.

Abdicating our responsibility to families is not leadership.

While an immediate short-term consideration must be on the families who currently are on public assistance, the long-term focus and long-term planning must be on positioning state and local governments and communities to helping to maintain working poor families who are in the workforce. And the size of this workforce is considerably larger than those currently on public assistance. The newly employed may be those with disabilities who are in the workforce for the first time; very young parents lacking education; adults who were raised in families without a breadwinner; and persons who have rarely enjoyed success.

Our sights will need to be refocused on working as members of our community to keep families on the trapeze. The Indiana Human Resource Investment Council identified several transitional services as essential in supporting welfare-to-work initiatives. Adequate child care, reliable transportation, affordable medical care, education and skills training, and low cost housing opportunities are needed for the long-term self-sufficiency of families.

The capacity for affordable child care including after school care and evening care will need to continually increase to keep pace with an expanding workforce of parents with young children. Communities and businesses can be instrumental in recruiting quality child care givers and ensuring that licensing standards are maintained. Removing barriers to informal transportation networks within neighborhoods and developing flexible funding mechanisms to keep vehicles in working condition will allow the working poor to be reliable employees. Community leaders should be continuing to work closely with schools and parents to ensure that 100% of the students graduate from high school so that fewer families in the future require the temporary help of public assistance. Businesses have the unique opportunity to identify short-term jobs for School-to-Work sites for teen moms and dads to develop good job skills while completing their education. Communities can assist in identifying community service jobs which will help both the communities to have needed work completed in the neighborhoods and the parents to learn practical job skills.

Communities in general, and faith communities in particular, may feel a heightened responsibility or obligation to expand their social service programs. Many caution, however, as Fr. Fred Kammer, Catholic Charities President, said last year when noting that the Catholic Church’s partnership with government dated to the early 1700s, “Proposed government cuts in support for poor families and in effective social welfare programs will intensify an already dire situation. . . . [T]he solution was not more charity, it was economic justice that included jobs, job training, better wages and community support.”

Archbishop Rembert Weakland of Milwaukee delivered a speech entitled “Hear the Cries of the Poor: The Urban Poor and the Churches,” in which he cautioned that while “churches must be involved constantly in charity, . . . charity is never a long-term solution . . . charity does not offer solutions to deeper systemic questions.” The Archbishop stated that safeguarding the stability of the family structure was a role of the churches and out-of-wedlock pregnancies “is not a problem of the poor but of


51. Indiana School to Work combines rigorous academics with hands-on workplace experiences helping students to see how their classes apply to real life. School to Work is administered through the Indiana Department of Workforce Development.
the whole of society. One cannot talk about one morality for the poor and another for the rich." 52

Community support exists in many forms and within many forums. Religious organizations have long provided critical services to the poor. Charities fill many gaps supporting soup kitchens, clothing drives, and food pantries to respond to emergency needs of the poor. Long-term initiatives are making a difference in the lives of families and children. Just as Indiana has partnered with One Church One Child to promote adoption throughout the state, the state of Mississippi has created a "Faith and Families" project in which churches adopt families on welfare. 53

Local charities and religious institutions, however, are not able to take the place of federal entitlement programs. The current needs of families are great. Catholic Charities in 1981 provided emergency food and shelter for fewer than one million people; in 1994, over seven million people were helped. The U.S. Conference of Mayors reported a 12% increase in requests for emergency food assistance.

The words of the late Chicago Cardinal Joseph Bernardin while praising the Campaign for Human Development really spoke to the role of all faith communities—it is "an unusual combination of religious commitment, street-smart politics, commitment to structural change and commitment to the development of the poor." 54

Welfare reform is about strengthening families, one family at a time. And it is about personal responsibility and collective responsibility. Working in partnership with local communities, families will become economically self-sufficient, safe, educated and healthy, and will contribute to the betterment of their communities.

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54. Changes Raise Church-State Questions, supra note 51.